GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1066
ANSWERED ON:23.11.2001
BRANCHES OF SBI
BHAL CHANDRA YADAV;TUFANI SAROJ

Will the Minister of FINANCE be pleased to state:

(a) whether some branches of the State Bank of India are incurring losses;

(b) if so, the details of such branches alongwith losses incurred by them during the last three years;

(c) the reasons for incurring losses; and

(d) the steps taken by SBI to make them profitable ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): Yes, Sir.

(b): As reported by State Bank of India (SBI), the details of Loss Making Branches (LMBs) alongwith losses incurred by them for the last 3 years, group wise, are given below:

(Rupees in crores)

Population-Group	March, 1999		March, 2000		March, 2001	
	No.of branches	Amount involved	No.of branches	Amount involved	No.of branches	Amount involved
Metro	132	52.07	244	97.05	335	126.57
Urban	92	9.52	286	35.98	309	44.38
Semi-Urban	49	2.98	101	7.34	95	9.05
Rural	316	16.71	402	22.29	324	23.63

(c): Reasons for incurring losses in Rural, Semi-Urban, Urban and Metropolitan centres are given below:

1. Low Business Volume.

2. Inadequate growth of business on continuous basis.

3. Lack of proper infrastructure/staff complement.

4. High fixed cost of bank`s operations.

5. Smaller operating margins.
6. Substantial NPA rise due to directed lendings and poor recovery.

7 Adverse law and order situation in Northern and North-East States affecting the smooth functioning of branches in some of those areas, resulting in lower volumes and less income.

8. Stiff competition from Private/Foreign Banks with techno-savvy services.

9. Non availability of profitable business at captive branches.
10. Decline in business volumes in captive branches alongwith the fortunes of Public Sector Undertakings (PSUs) where the branches are established.
11. Overheads on higher side/higher rentals cost for premises.
12. Assets portfolios of LMBs mainly comprise of priority sector advances with low net yields.
13. High NPAs.

(d): SBI has taken following steps to make them profitable:

1. Focus more aggressively on non-fund based business.

2. Reduction of controllable expenses.

3. Close monitoring of the business and net result of all LMBs.

4. Study the business opportunities available at LMBs in particular at Metro/urban centres to consider the options of merger/closure/relocation as per RBI guidelines when the losses are consistent and opportunity for conversion into profit does not exist.

5. Relocation of LMBs in Metro/Urban centres as per RBI guidelines to exploit the potential available in the area.
6. Promote conversion of Rural LMBs into Setellite Offices wherever feasible.